



**CITY OF SCOTTSDALE
DESERT DISCOVERY CENTER PHASE III FEASIBILITY COMMITTEE**

WEDNESDAY, DECEMBER 7, 2011

**ARIZONA STATE UNIVERSITY SKYSONG
ROOM 201, GLOBAL
1475 NORTH SCOTTSDALE ROAD
SCOTTSDALE, ARIZONA 85257
MINUTES**

MEMBERS PRESENT: Mike Nolan, Chair
Nancy Dallett
Melinda Gulick (telephonic, departed at 8:55 a.m.)
Ken Travous

MEMBERS ABSENT: Patrick Weeks, Vice Chair

STAFF: Kroy Ekblaw
Lusia Galav
Bill Peifer
Yvonne Massman

GUESTS: John Sather
Dan Gruber

Call to Order/Roll Call

Chair Nolan called the meeting of the Desert Discovery Center Phase III Feasibility Committee to order at 8:06 a.m. A formal roll call confirmed a quorum of members present as stated above.

1. Approval of Minutes

- Regular Meeting: November 30, 2011

COMMITTEE MEMBER TRAVOUS MOVED TO APPROVE THE MINUTES OF THE REGULAR MEETING OF NOVEMBER 30, 2011. COMMITTEE MEMBER GULICK SECONDED. THE MOTION CARRIED BY A VOTE OF FOUR (4) TO ZERO (0). VICE CHAIR WEEKS WAS ABSENT.

2. Agenda Items

- Staff Presentation and Discussion of DDC Land Use Scenario #2

Lusia Galav addressed concerns on how to fit the DDC into the Preserve without compromising the Preserve's primary purpose. The proposed DDC site is within the Preserve boundary. The Preserve Ordinance currently contains provisions that conflict with the activities that would be required at the DDC. In general, these include the sale of food and beverages, the use of tents and canopies, the use of glass containers, and operating hours.

Ms. Galav said the Preserve Ordinance could be amended to include rules and regulations that govern the DDC site itself. Those rules would only diverge from the general purpose of the Preserve to allow activities necessary for the successful operation of the DDC. This could be achieved through land use actions through a General Plan amendment that would rezone the site to a more applicable zoning district. The Preserve Ordinance itself could reference whatever documents are necessary to lock and describe the site.

Ms. Galav stated that the actual control of the DDC itself would remain under the City Council, who would enter into a contract with a provider. That contract could contain all the requirements, rules and regulations, the Preserve Ordinance, and necessary amendments. The DDC would also be governed by the amended Preserve Ordinance, which states that the Preserve Director can make whatever rules and regulations are necessary for the operation of the Preserve. If Scenario #2 is chosen, the City could ensure that the parcel would be able to stand and be governed alone.

Mr. Ekblaw said the existing purpose and management objectives of the Preserve Ordinance are not in conflict with the DDC. It is only in the rules and regulations where inconsistencies exist. There are several reasons for amending the Preserve Ordinance. This summer, the City Council made some changes regarding boards and commissions, and the Ordinance will have to be updated accordingly. The McDowell Sonoran Preserve Commission (MSPC) is also considering how to address special uses. Staff believes that the language of the Ordinance could be clarified in several places as well. The DDC amendment would not be enacted if the project does not occur, but it can be approved contingent upon subsequent public and private funding solutions.

In response to an inquiry from Committee Member Travous, Mr. Ekblaw explained that the Phase II study funding was paid for from the Preserve tax funds, based on an interpretation by the City Attorney that said the DDC was within the range of acceptable improvements. All parties, however, agree that the Preserve tax should not be used to fund the DDC facility.

COMMITTEE MEMBER TRAVOUS MOVED TO RECOMMEND LAND USE SCENARIO #2. COMMITTEE MEMBER DALLETT SECONDED. THE MOTION CARRIED BY A VOTE OF FOUR (4) TO ZERO (0). VICE CHAIR WEEKS WAS ABSENT.

- Review Questions for Jim Bruner Regarding the Museum of the West Project

Committee Member Gulick noted that Jim Bruner and Mike Fox have been invited to attend the next DDC meeting to answer the Committee's questions. Jim Bruner is the volunteer lead for the Museum of the West, which has been through many different iterations over the last ten years. The museum recently made a presentation to the Bond Task Force for potential funding. They have also hired an Executive Director, Mike Fox, prepared some of the architectural work, and have raised significant private funding. She felt that the guests would be able to shed light on the museum project, its revenue projections, and offer lessons on what to do differently if they could.

Chair Nolan said he is less interested in the Museum's relationship with the City and the Cultural Council than in understanding what mistakes to avoid. He would also appreciate advice on the timing of an executive director hire. Committee Member Gulick said she does not believe the Museum is affiliated with the Cultural Council any longer. She expressed interest in hearing about different models upon which to base the City's relationship with private organizations that would run a City-funded facility. Committee Member Dallett said she would like to know more about the Museum's original feasibility study, how the concept evolved, and how expectations changed over time. How has the Museum group managed to support an Executive Director without moving forward in any concrete way? What has their fundraising effort been like? Committee Member Travous requested supporting information on the original RFP and the Museum's agreement with the City.

- Feasibility Committee Recap of Items for Discussion

Chair Nolan asked the Committee to share their remaining concerns. He felt that the discussion with Bob Brais last week did not really resolve itself to his satisfaction. While Mr. Brais made a case for his assumptions, and demonstrated their feasibility, the Committee should address a low end revenue scenario, which is also plausible. What would happen if all projections are down at the same time, and no area performs well enough to cover shortfalls in other areas? It is not unreasonable to assume that total revenues in a stable year could be \$1.5 million to \$2 million below current assumptions. Could the facility still operate, as envisioned, in the black on a \$5 million budget, and what would the implications be?

Committee Member Travous expressed skepticism regarding economic projections in general, since it is so difficult to do accurately. It would make more sense to incrementally increase staff as the attendance grows over time, rather than to cut back if the baseline projections fail to materialize. The Committee should recommend that those responsible for putting together the DDC program not rely on fundraising, but instead let the programming prove what the DDC is capable of in two or three years after opening. Chair Nolan agreed. The recommendation should point out that revenue could conceivably be below expectations and that the operating entity should start at a safe place and build up, rather than overextend from the beginning.

Committee Member Gulick noted that Musical Instrument Museum (MIM) hired contractors to cover the opening period, until they understood how many employees they would need to run the facility. The DDC's operating plan relies on 71 FTEs, which is a lot to start with. Chair Nolan agreed. He felt that the projected revenue was

optimistic, and a smaller budget for startup purposes would be more realistic. The Committee should advise that the operators proceed with caution in the first five years.

Committee Member Travous anticipated that the third and fourth years would be the most difficult. The first two years will enjoy a curiosity-driven attendance boost, but it will take longer than that to build the DDC's reputation as a destination. If the DDC is overstaffed from the beginning, problems will develop in the second year. It is hard to cut staff once they are hired.

Committee Member Dallett said the Committee was tasked with questioning the feasibility study, but it has been vigorously defended with little room for maneuver. She felt that even the low end attendance projection was too high for the opening. The viability of the high-end destination restaurant at the start is questionable, and should not be relied upon. The economy may change, and the projections come to pass in time, but it is a risk. Success depends on the operator. The budget overemphasizes the immersive theater aspect. She noted that a generous patron bankrolled the MIM. It has expanded over the years, and attendance has been high, but it relies on a young and inexperienced staff in all areas apart from conservation and marketing.

Committee Member Travous suggested that each Committee Member prepare a list of cautions. Mr. Peifer suggested that the Committee identify the areas they feel have the highest risk and those areas they are most comfortable with. Staff could then request more information from the consultants as necessary.

Mr. Sather said he understood the Committee's concerns. He emphasized that Phase II should be viewed as a tool that the Committee can tinker with. He suggested that Mr. Brais could write a memo to address their concerns and any modifications could be overlaid onto the study. That would be no different than any corporate board taking a consultant's report and modifying it in a way that works for them.

Committee Member Dallett said she was expecting to hear recommendations from Mr. Brais last week. Mr. Sather responded that Mr. Brais truly believes in his numbers, and views the restaurant as a bit of a non-issue in terms of the overall revenue. The report puts forth one possible test case. Committee Member Dallett said she would not want to give Council cautionary advice without proposing a way to move forward. She requested that Mr. Brais respond to five or six serious cautionary scenarios, which the Committee could then use to develop their recommendations.

Ms. Galav reported that staff will be meeting to discuss phasing and how it could work from a capital projects perspective. The Committee will receive a report at their next meeting. Committee Member Travous cautioned that the DDC could lose a lot of its appeal if it is too aggressively phased. It is the phasing that should be programmatic, not the vision. Chair Nolan agreed, saying the ideal solution would be a plan that allows the DDC to be built as designed, but operated at \$5 million per year, instead of \$7 million.

Committee Member Dallett stated that the vision should remain big, but the phasing should allow the program to grow into the facility. The components need to be present right from the start however, even if it is not completely operational yet. Visitors should clearly get a sense of the DDC's potential right from the start. Mr. Sather said the design

process involves making surgical changes that would not affect the overall vision and scale of the project. Committee Member Dallett said she would like to make viable recommendations to City Council that would allow for a grand vision to move forward into reality.

- Action on Possible Recommendations to City Council on the Funding, Phase II Study Concepts and Land Use/Preserve Ordinance issues.
- General Discussion

3. Staff and Committee Updates (A.R.S. 38-431.02(K))

Yvonne Massman reported that in interviewing the staff of the MIM, she learned that the restaurant there was originally intended just for visitors. Once they realized that people were arriving just for the dining experience, they decided to open it up for banquets. They would have planned differently had they realized. Bon Appetit manages the restaurant. They have at least six different events per week. The menu changes every other day. Staff engages with local farms for ingredients. They charge \$100 per plate for banquets. Mr. Peifer noted that MIM is revising their business plan because some areas have not performed to expectations, even though the restaurant is exceeding them. Committee Member Dallett expressed admiration of the MIM's willingness to constantly try new ideas.

4. Public Comment (A.R.S. 38-431.02 (K))

There were no public comments.

5. Identification of Future Agenda Items

Chair Nolan proposed that the meeting on December 14 begin at 7:30 a.m. to accommodate the full agenda. Committee Member Travous requested a timeline for the Committee's remaining task list.

6. Adjournment

With no further business to discuss, the Committee meeting adjourned at 9:17 a.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.